

**MINUTES OF REGULAR MEETING
OPEN SESSION
ILLINOIS GAMING BOARD
April 16 and 17, 2007
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Monday, April 16, 2007 a Regular Meeting of the Illinois Gaming Board ("Board") was held in the conference room of the Gaming Board Offices on the 3rd floor at 160 N. LaSalle, Chicago, Illinois.

The following Board Members were present: Chairman Aaron Jaffe, Members Charles Gardner, Joseph Moore, James Sullivan and Eugene Winkler.

At 9:45 a.m. on Monday, April 16, 2007 Chairman Jaffe called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (11), and (14) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Pending Litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote. The Board remained in Closed Session until approximately 12:15 p.m. and recessed until Tuesday, April 17, 2007 at 11:40 a.m. The Board went into Open Session at 1:00 p.m.

BOARD MEMBER'S COMMENTS -

Member Moore commented on the Harrah's booth at the Chicago Economical Diversity Counsel at Navy Pier. Minority vendors come and see what business they can acquire. He commended Harrah's and also Tom Swoik for the booths that were there. It was an outstanding show of support.

Member Gardner commented on the minutes from last month's meeting. In the minutes it was correctly indicated that Casino Queen would have up to \$75M in bank financing or TIF financing but not a combination of both. Since then, Casino Queen advised the staff and Board that was not an accurate statement, and that additional information regarding the application of TIF funds would be provided.

ADMINISTRATOR'S COMMENTS –

Mark stated that he attended Harrah's dedication of the health and wellness center at the University of St. Francis made possible from contributions from Harrah's. This center will provide services to senior citizens and individuals without insurance. The center was very impressive. He also commented on the creation of the Financial Crimes Unit which will be supervised by Mark Stevens, the Deputy Administrator of Investigations. The squad is led by Sgt. Isiah Vega. The unit will investigate financial crimes that are occurring on the boats. The goal will be to get to the source of the crimes.

Mark stated that there will be a slight change in the agenda for open session. The Rock Island matter will be up for initial consideration, not for final action.

APPROVAL OF MINUTES –

Member Winkler moved that **the Board approve the closed session minutes of its Regular Meeting of March 21, 2007 and open session minutes of the Regular Board meeting of March 21, 2007.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

PUBLIC COMMENTARY –

Nora O'Connor an IT management consultant from Evanston addressed the Board. She stated that on March 10, 2007 she had the good fortune of winning back to back jackpots at Empress Casino. She had asked Empress to take both state and federal taxes out of the winnings. She stated that she was shocked that they refused to take out the taxes. They stated that she is not a frequent gambler and she was not a member of the elite club, therefore they could not oblige her. Ms. O'Connor stated that she felt that was discriminatory. She contacted the Gaming Association and was referred to the Gaming Board who she claims in turn told her to contact the Empress. She contacted the docksite supervisor and was told that he did not know the correct answer to the question. In Indiana, they take out state taxes, why doesn't Illinois follow the same procedure. She went on to state that gamblers are not exactly known for their self-discipline, and to not facilitate when one asks to have the taxes deducted is ridiculous. She stated that she was shocked at the whole process. She asked that this be looked into to correct this situation. A majority of the states do require state taxes to be deducted from the winnings.

The Chairman explained that a bill to put forth this deduction of taxes was put before the legislature twice, and both times the bill was rejected. Ms. O'Connor stated that she was shocked that this was not done.

Member Moore stated that there must be an error in which only members of the elite club have taxes taken out of their winnings. Ms. O'Connor stated that she did ask that the state and federal taxes be taken out and they refused.

Administrator Ostrowski stated that any winnings over \$1200 are subject to tax for issuance of a 1099.

Jeff Pfeiffer on behalf of the Empress stated that state taxes are deducted if the request is made. He stated that there seems to be a misinformed employee and that is where all the confusion lies. He went on to state that federal taxes are not deducted. Most times people wait until the end of the year when they can deduct their losses on a statement that will be filed with their taxes.

Member Moore stated that the Administrator did say that anything over \$1200 is subject to tax.

Pfeiffer stated that he would look into this matter so that there is no confusion.

Ms. O'Connor stated that this should be looked into and something needs to be done.

Member Gardner stated that we need to be absolutely clear on the \$1200 limit. Administrator Ostrowski again stated that anything over \$1200 is subject to tax. A W2G will be issued in that instance. Member Gardner then stated that anything over \$1200 requires the issuance of a W2G but does not require withholdings.

OWNER LICENSEE ITEMS –

a. Items for Initial Consideration –

The Chairman stated that Casino Rock Island needs to present a full and complete package for the financing and until then there will be no approval. Member Gardner echoed the Chairman's statement.

- Casino Rock Island – License Renewal

The following is the presentation that Casino Rock Island made at the open session:

As one of the first operating casinos in Illinois, Jumer's Casino Rock Island continues to maintain a deep commitment to the privilege of being a licensed operating casino. Its philosophy is one that is rooted in operating a family run business. And, this sense of family extends to its employees, to its guests and to the citizens of Illinois. As a single business entity, Casino Rock Island has proven through its years of operation that it is committed to the long term. For over 15 years, our company has faced many challenges in an extremely competitive and changing marketplace. But, through it all, we have not lost our commitment to grow and to serve the state of Illinois and the community of Rock Island in compliance with the Riverboat Gambling Act.

Jumer's Casino Rock Island began operations in 1992, with an investment of \$25 million dollars. And, over the course of 15 years, we have re-invested millions more in our operation to remain competitive in what is one of the most competitive gaming markets in Illinois. From continuous gaming product improvement to facility expansion, to implementing technical advances, such as being the first in the state to utilize redemption kiosks, Casino Rock Island re-invests to enhance the gaming experience and to grow our business because our success is also the community's and state's success.

And, one only needs to look at the proposed development of a new casino to see that Casino Rock Island is willing to invest in its future as well as the state and City of Rock Island. To date, we have invested approximately \$5 million in preliminary construction costs pertaining to this project, which, upon completion, will enable the casino to potentially double its current attendance and revenue, and in turn will significantly grow state and local revenues generated from the operation.

Significant for local government, is the tax revenue generated by Jumer's Casino Rock Island. Specifically, over \$11 million dollars over the past licensure period has aided the City of Rock Island in funding a variety of projects. These projects include but, are not limited to, a family aquatic center, street improvements, residential development, new home construction rebate program, wetland mitigation, city-wide façade program, community marketing, riverfront park construction, infrastructure for a new business park and implementation of a new automated refuse collection system. Without the much needed gaming tax revenue provided by the casino, Rock Island would not be in a position to introduce many of the aforementioned projects.

During this same period of time, Casino Rock Island has generated over \$23 million to the state of Illinois in gaming tax revenue.

An important point of pride for Casino Rock Island is the fact that we provide jobs for the citizens of our community. One of the fundamental reasons for the enactment of the Riverboat Gaming Act was to assist distressed communities in Illinois. How true that was for a community such as Rock Island, which was severely affected from the dramatic decline of the farm implement manufacturing industry. The new casino jobs that were created became a life line for so many residents. And, still today, from the front line to senior management, Casino Rock Island draws the vast majority of its employees from the local community. A vital point of this industry and, certainly of Casino Rock Island, is that local residents are given employment and opportunities by which to grow professionally. We recruit, almost exclusively from the local market and strive to promote from within, affording our employees the possibility of long-term, rewarding work. Indeed, after 15 years, approximately 10% of our employees are original to the opening of the casino.

Jumer's Casino Rock Island is committed to developing and maintaining a diverse workplace. It is critical for every type and size of organization. In order to achieve a high level of diversity, we aggressively seek out potential employees beyond the usual means of job fairs and various forms of advertising.

We work with organizations that, in large part, serve minority candidates searching for an opportunity in the gaming industry. These organizations include nine different technical and 4 year colleges, the NAACP, the Illinois Department of Employment Security, Illinois Department of Rehabilitation Services and Iowa Workforce.

Diversity is reflected in all levels of our workforce, from front line through senior management. In fact, statistically, our workforce is more diverse than our community. As employment opportunities grow within our company, we will continue to develop the most successful

methods of maintaining a diverse workforce, and giving all employees an opportunity to grow and develop within our organization.

Casino Rock Island believes in its responsibility to give back to the community, beyond just financial contributions. Casino management takes an active leadership role in governing economic development organizations such as the Rock Island Arts and Entertainment District, Keep Rock Island Clean and Beautiful, the Development Association of Rock Island and Renaissance Rock Island, serving as board members, board chairpersons and executive board members.

In addition to serving on local economic development boards, casino management and employees volunteer their time to assist in improving the lives of others in such activities as instructing the youth of our community in local schools as part of Junior Achievement, helping to build homes for Habitat for Humanity to improve the quality of life for families in our area and working with the United Way in such programs as the community-wide Day of Caring, a special event consisting of a variety of work projects for the elderly, community groups and low-income housing residents.

Over the years, Casino Rock Island has contributed its marketing expertise, manpower and financial resources to various community organizations. Its charitable contributions focus greatly on health, education and welfare.

Some of the organizational recipients of our financial support have been:

The United Way of the Quad Cities, both for their annual pledge drive and their annual Day of Caring.

The Quad City chapter of the American Red Cross, in assisting their development of a new headquarters, as well as hurricane relief.

The Rock Island Public Library and their facilities expansion.

Computer labs for Rock Island High School.

Quad City Arts, who provides various art related events, programs and displays throughout the market, adding significantly to the quality of life.

Gilda's Club and their efforts to bring comfort to cancer victims and their families.

And, in compliance with the Riverboat Gambling Act and its purpose to promote economic development and tourism:

The Quad Cities Convention and Visitors Bureau's and their efforts to bring more visitors to the market and

The Development Association of Rock Island (DARI) for a capital campaign to assist the economic development programs of Renaissance Rock Island.

Jumer's Casino Rock Island is proud of the relationships we have established with our vendors. We believe that our support of the State of Illinois and our community extends to the firms with whom we conduct business, and we strive to support Illinois and locally-based businesses first. In fact, over 60% of all our purchases in 2006 were from Illinois and locally-based firms. From the onset, we have established relationships with local vendors that have grown over the years. Our unique player rewards program supports local businesses by enabling customers to redeem their rewards at a variety of businesses in the Quad City area. Additionally, we are strongly supportive of female and minority-owned vendors and it is our philosophy to continue to grow our volume of purchases with these businesses. Having been a business partner in the Quad Cities and in Illinois for many years, long prior to the legalization of gaming, Jumer's has built long-term relationships with many Illinois and local businesses that continue to this day. And, as our business grows, we look forward to continuing those relationships and establishing new partnerships in cooperation with our state and local business colleagues.

Prior to the opening of Jumer's Casino Rock Island, the downtown Rock Island landscape was devoid of activity and energy, existing with few businesses and many more empty storefronts. But, the city had a plan. And we were more than willing to take a leadership role in the plan and provide enhancement to this action. Working even prior to the opening of the casino, the company's philosophy of "building business together", the establishment of the downtown Rock Island Arts and Entertainment District came to fruition on the day that Casino Rock Island went into operation. Infusing the fledgling development with over a quarter of a million dollars in sponsorship and marketing support in its initial years, as well as becoming one of the primary anchors to this area, in one years time, the downtown had established 70 new or expanded businesses. When searching for positive proof that riverboat gambling could actually help a community grow and prosper, the national press and even the BBC looked at the accomplishment in Rock Island, Illinois. Over the years since the establishment of riverboat gambling, the downtown has grown into a thriving, exciting center of activity within the city, even bringing individuals back to the inner city to live. The partnership of Casino Rock Island and the Arts and Entertainment District has continued and remains as strong as ever.

In addition to our obligations to our employees and to our community, Casino Rock Island understands its duty to support the Riverboat Gaming Act and to operate in a manner that reflects positively upon the State and the gaming industry. Every day, Casino Rock Island operates with the commitment to achieving the highest level of integrity. It is an obligation that we have to the people of the State of Illinois. Our company diligently supports and implements programs for safety, self-excluded gamblers, prevention of under-age gaming, alcohol awareness and responsible gaming. As operators, we work closely with the Illinois Gaming Board to ensure we are complying with all laws and internal controls. As stated earlier, we recognize that it is a privilege to hold an operators license, so it is also true that compliance with all regulations governing the operation of a casino gaming establishment is something that we not only follow, but follow with pride.

In conclusion, Jumer's Casino Rock Island is proud of its operating history -- confident in its commitment to compliance, tourism, economic development, employee development and social responsibility. And as we celebrate the past, we eagerly look forward to a bright and exciting future.

Member Gardner commented that within the next month the Board will receive the renewal report for Casino Rock Island. The actual renewal is in May. He also commented on the request for the waiver of the two meeting rule and the expenditure of new monies on the site. Mr. Milne stated that everything was understood. Member Gardner stated that this is a big project and the Board looks forward to receiving the financing package in its entirety.

b. Items for Final Action -

- Casino Rock Island – Approval of New Proposed Casino Project & Request for Waiver of Two-Meeting Rule

Based on a review of staff's investigation and recommendation, Member Gardner moved that **the Board deny Casino Rock Island's request to waive the two-meeting rule.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Par-A-Dice – Request for Replacement of Existing Bank Credit Facility

Member Gardner stated that is it appropriate to say that Par-A-Dice is asking for approval to pledge Boyd's stock in Par-A-Dice as collateral for the \$4B corporate borrowing. Martha Sabol stated that is correct.

Based on a review of staff's investigation and recommendation, Member Sullivan moved, **pursuant to section 230(d) of the Board's Adopted Rules, to approve Par-A-Dice's request for IGB approval to replace its current \$1.85 billion Bank Credit Facility with a \$4 billion Credit Facility.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Alton Belle Casino - Glenn King, Surveillance Manager - Level One

Based on a review of staff's investigation and recommendation, Member Moore moved **that the Board approve Glenn King, Level One Occupational Licensee in the position of Surveillance Manager of the Alton Belle Casino.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

- Alton Belle Casino – Shikera K. Jennings, Senior Internal Auditor – Level One

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve Shikera K. Jennings, Level One Occupational Licensee in the position of Senior Internal Auditor at Alton Belle Casino.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Harrah's Entertainment, Inc. Grant D. Ashley, Vice President of Security
- Key Person

Based on a review of staff's investigation and recommendation, Member Gardner moved that **the Board approve Grant D. Ashley, Key Person in the position of Vice President of Security, Surveillance and Investigation for Harrah's Entertainment, Inc.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

OCCUPATIONAL LICENSES APPROVAL & DENIALS – LEVEL 2's & 3's

Based on staff's investigation and recommendation, Member Winkler moved that **the Board approve 40 applications for an Occupational License, Level 2, and 133 applications for an Occupational License, Level 3.**

Further, Member Winkler moved that **the Board direct the Administrator to issue a Notice of Denial to the following individuals who received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut the recommendation.**

1. Teresa Esparza
2. Sabrina Redwood
3. James Jackson
4. Donald Newcombe

Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

PROPOSED COMPLAINTS AND DISCIPLINARY ACTION

Based on staff's investigation and recommendation, Member Sullivan moved that **the Board issue a Disciplinary Complaint against John L. Johnson, a Level 3 Occupational Licensee, for failing to comply with the Illinois Riverboat Gambling Act and the Board's Adopted Rules in relation to his not charging a patron for alcohol.**

Further, Member Sullivan moved that **the Board revoke Mr. Johnson's Occupational License. Said action to take affect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

ADMINISTRATIVE HEARING/ALJ REPORTS -

- In Re: The Disciplinary Action of John E. Kenny, Jr., Joan Kenny Rose, Philip B. Kenny and James C. Kenny, No. DC-07-01 – Settlement Agreements

Based on staff's recommendation, Member Moore moved that **the Board accept the proposed settlement agreements from John E. Kenny, Jr., Joan Kenny Rose, Philip B. Kenny and James C. Kenny and delegate to the Administrator the authority to execute the agreements.**

Further, Member Moore moved **to authorize legal counsel to present the settlement agreements to the Administrative Law Judge for disposition of this matter, in accordance with the terms of the settlement agreements.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

ADJOURNMENT

At 2:05 p.m. Member Winkler moved to adjourn. Member Moore seconded the motion.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator